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INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0931  
RUEHAS/AMEMBASSY ALGIERS PRIORITY 7541  
RUEHEG/AMEMBASSY CAIRO PRIORITY 1485  
RUEHLO/AMEMBASSY LONDON PRIORITY 1368  
RUEHNC/AMEMBASSY NOUAKCHOTT PRIORITY 0910  
RUEHFR/AMEMBASSY PARIS PRIORITY 1839  
RUEHRB/AMEMBASSY RABAT PRIORITY 8441  
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0139  
RUEHCL/AMCONSUL CASABLANCA PRIORITY 4138  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
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UNCLAS SECTION 01 OF 02 TUNIS 001299

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EEB/TPP/ABT (CLEMENTS) AND NEA/MAG (HARRIS)  
STATE PASS USTR (BURKHEAD)  
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (JAMES)  
CASABLANCA FOR FCS (ORTIZ)  
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A  
TAGS: [ETRD](#) [KTEX](#) [BEXP](#) [TS](#)  
SUBJECT: TUNISIA'S TEXTILE SECTOR BOUNCES BACK

REF: A. STATE 114799  
[1](#)B. 06 TUNIS 2465  
[1](#)C. 06 TUNIS 2464

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Summary  
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[1](#)1. (U) After experiencing job loss and a drop in exports in recent years, the Tunisian textile sector appears to be back in good health. Faced with competition from cheaper, mass-produced Asian textiles, the Tunisian textile sector has regained market share in Europe and the value of exports has increased. Solid export performance for the second half of 2006 and early 2007 indicate that the sector's strategy of re-orienting towards value-added production was a good one. End Summary.

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Statistics  
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[1](#)2. (U) Per Ref A request, Post has gathered the following statistics for 2006:

- Total industrial production is estimated at US \$5.2 billion
- Total textile production is estimated at US \$1.4 billion
- Total value of textile exports is estimated at US \$3.9 billion
- Textile/apparel share of imports is about 16.76 percent
- Textile/apparel share of exports is about 33.63 percent
- Exports of textile/apparel to the US are US \$17.65 million
- Imports of textile/apparel from the US are US \$14.32 million
- Manufacturing employment is estimated at 554,600
- Total textile employment estimated at 204,000

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Exports Bounce Back

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¶3. (U) Following the end of the Multifiber Agreement, the Tunisian textile sector saw its market share erode in its traditional European markets and experienced significant job loss. Although 2005 and early 2006 looked bleak, the sector appears to have bounced back, with the textile share of exports rising 1.8 percent from 2005 to 2006. Najib Karafi, Director General of GOT-founded Technical Center for Textiles (CETTEX), told EconOff that textile exports are now back to 2001 levels. Although the volume of exports has not increased, the focus on value-added production led to an increase in the overall value of textile exports. In 2006, textile exports earned US \$3.9 billion, up from US \$3.7 billion in 2005. The outlook for 2007 looks even brighter, with textile exports up nearly 20 percent over the first half of 2006.

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EU Bound  
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¶4. (U) Although CETTEX and the National Federation for Textile Employers (FENATEX) have emphasized the importance of expanding into new markets, over 90 percent of textile exports continue to be directed towards European Union countries. Zied Charfi, Research Director at FENATEX, noted, however, that there has been greater diversification within the EU, with exports to Portugal, Spain and United Kingdom rising. Karafi lamented that the sector has not had greater success in diversifying trading partners, but stated that the first priority had been to maintain market share in Europe. He remarked that Tunisia had been successful in moving from the 7th leading textile exporter to the EU to the 5th.

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US Trade Still Limited  
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¶5. (U) Charfi remarked that despite strong interest from textile manufacturers, few producers have been able to successfully break into the US market. Charfi expressed disappointment that few of the manufacturers attending the 2006 Magic Show exposition in Las Vegas were able to generate any business. Both Charfi and Karafi noted strong textile sector support for a Free Trade Agreement with the United States. Karafi added that most textile producers believe they would benefit from an FTA.

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Job Loss Staunched  
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¶6. (SBU) Estimates for jobs lost in the sector range from 36,000-50,000 over the period from 2000 to 2005. CETTEX figures show that textile sector employment is 204,000 workers, up slightly from 194,000 in 2005. Karafi remarked that while there have been closures and layoffs during the past year, these have been offset by new investments and the creation of new jobs. CETTEX recorded 71.3 million Tunisian dinars (roughly US \$56.7 million) in foreign direct investment for 2006. A researcher from the General Union of Tunisian Workers (UGTT) told EmbOff on September 20 that while UGTT studies showed almost 36,000 jobs were lost between 2000 and 2005, employment in the sector now appears to have stabilized. Confirming the rosy picture presented by CETTEX and FENATEX, he stated that textile unions and workers indicate that the sector recovered in 2006.

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Comment  
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¶7. (SBU) Given the importance of the textile sector to the

Tunisian economy, the sector's rebound is welcome news to the GOT. The sector owes its rebound to successfully re-orienting towards value-added production and to continued foreign investment in the sector. Yet perhaps the most important lesson from the textile sector's successful rebound is that the GOT needs to allow market forces to operate freely. Rather than bailing out failing manufacturers, the GOT allowed non-competitive producers to close, despite the job loss. In the end, the market, not the GOT, knows best.  
End Comment.  
GODEC